

PERS EMPLOYER ADVISORY GROUP MEETING

Date: 7/17/20

Time: 10:00 a.m.–12:00 p.m.

Location: GoToMeeting

TYPE OF MEETING	PERS Employer Advisory Group Meeting
FACILITATOR	Sam Paris
NOTE TAKER	Tamie Johnson
CALL-IN NUMBER	(866) 899-4679; participant code: 781304501
ATTENDEES	<p>EAG Members: Michelle Kirby, City of Portland; Shauna Tobiasson, Department of Administrative Services; Trudy Vidal, Department of Administrative Services</p> <p>PERS: Alison Burman; Brandon Armatas; Cynthia Kirkwood; Dean Carson; Eleanor Probasco; Elizabeth Rossman; Heather Case; Jake Winship; Kelley Raz; Kevin Olineck; MaryMichelle Sosne; Richard Horsford; Sam Paris; Shawn Dempewolf; Stephanie Vaughn; Tamie Johnson; Yvette Elledge-Rhodes</p> <p>Guests: Anita Gurule; Barb Childers; Carole Samuels; Claire Havener; David Moore; Debbie Diener; Gay Lynn Bath; Jennifer Olson; Kristy Komes; Maria McEldowney; Melissa Medina; Michelle Morrison; Minesh Patel; Rhonda Miller; Tahni Fagerberg</p>

NOTES

TOPIC	Welcome	Sam Paris
TIME: 10:00–10:02 AM		
Sam Paris, Interim Chief Operations Officer, welcomed the Employer Advisory Group.		

TOPIC	Director's Office update	Kevin Olineck
TIME: 10:02–10:06 AM		
<p>Kevin Olineck, PERS Director, introduced new employees Jake Winship, Associate Actuary, and Heather Case, Senior Policy Advisor.</p> <p>PERS buildings will remain closed to the public because of COVID-19 until at least August 31; this may be extended by the governor. (Note as of July 30: COVID-19 mitigation practices have just been extended until at least Oct. 31, 2020.) During this time, we will host all public meetings virtually.</p> <p>Seventy-five percent of PERS staff are working from home right now. Kevin is very pleased with how well staff are working remotely and in the office through this pandemic. We are seeing no drop in productivity.</p> <p>For the PERS Board meeting (July 31), we will provide a conference call line so that people can call in and listen. Milliman will be presenting 2019 actuarial valuation results at the board meeting. These will be used to set the 2021–2023 contribution rates, which will be announced later in the fall. The board will look to make sure the results still make sense and that the rate</p>		

collar still works for us. Final determination of the rates will take place later on. It continues to be an interesting topic for board discussion.

TOPIC	Policy updates	Heather Case
TIME: 10:06–10:19 AM		
Heather Case, PERS Senior Policy Advisor, provided a legislative update.		
The James case , which addresses challenges to Senate Bill (SB) 1049, went for oral arguments before the Oregon Supreme Court on June 17. The next step is for the Supreme Court to issue its written opinion on the case, which may be late this year or early next year.		
The Legislature held a special session in June, focused mainly on the governor’s executive orders. At the session, they passed seven police accountability bills. PERS was not very affected by the special session. There will likely be a second special session in August.		
House Bill (HB) 4212 does affect us as a state agency. HB 4212 includes a section about conducting public meetings virtually and an update on the file dates in certain court cases. Also, HB 4212 allows remote notarization until the end of June 2021. PERS is discussing how to implement and accept any virtually notarized documents that come in.		
Employer Incentive Fund (EIF): The Joint Ways and Means Committee has released recommendations for budget rebalancing, which include a reduction of the Employer Incentive Fund (EIF). PERS has been preparing employers for potential EIF reduction (right now the recommended reduction is around \$64 million). We do not know the specifics on how they reached that number. We will contact all affected employers once a decision has been made.		
Question: How much has PERS has matched in employer incentive funds?		
Response from MaryMichelle Sosne: PERS has given \$56,798,893.80 in EIF matching funds to date. We are clarifying where the Ways and Means Committee is getting its numbers.		
Kevin Olineck: Once the money is in the PERS Trust, it cannot be taken away. PERS has averaged about \$10 to 12 million per year in the SDULF (School District Unfunded Liability Fund), which may be included in this number. There may be work sessions to provide more clarity and reconcile what is included in the \$64 million.		
Legislative concepts for regular session are currently being drafted into bill drafts. They will be presented to the agency, and then we will have one shot to address suggested draft changes before they move on. Currently there are three:		
<ul style="list-style-type: none">• Technical fixes to SB 1049 to clarify the Work After Retirement, Member (IAP) Redirect, Employer Incentive Fund, and UAL Resolution programs.• Treatment of common-law employees: PERS is recommending statutory clarification under IRS standards to align the statute with the way PERS has understood and administered the system for decades (i.e., an employee who is considered a common-law employee of a PERS-participating employer but is paid by a third party is “in the service of a public employer” for purposes of PERS membership).• Changing statute to allow PERS to charge employers for past earnings on late IAP contributions.		
For a more in-depth explanation of these legislative concepts, read pages 80 and 81 in the March board meeting packet .		
Work Share Program: There has been a boost in unemployment dollars from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Employers will find a link on the Policy update		

slide to [PERS COVID-19 FAQ](#). Question 12 specifically talks about employer participation in the Work Share Program. Learn more on the [Oregon Employment Department website](#).

TOPIC	SB 1049 update: Employer Programs	Yvette Elledge-Rhodes
TIME: 10:19–10:38 AM		
<p>Yvette Elledge-Rhodes, Deputy Director, gave an update about the SB 1049 Program and explained that the project business owners will provide updates on each project.</p>		
<p>A new project road map came out today (included as an attachment). The project is focusing on the long term into the 2021–23 biennium and possibly the 2023–25 biennium. It is mostly focused on the internal process of getting Employee Pension Stability Accounts (EPSA) to be part of jClarety.</p>		
<p>July 1 release for Member (IAP) Redirect was successful in capturing all the data from employers. Now we have to work through everything that data will touch. We are focusing on fall programming releases, and all are going well. We have some concerns about the short time to implement these aspects of SB 1049.</p>		
<p>We have partnered with Deloitte to assist with organizational change management and to help PERS do things more efficiently going forward. We now have better strategies and have learned some things we could have done better to make sure internal staff and employers are well prepared to implement these changes.</p>		
<p>MaryMichelle Sosne, Actuarial Business Specialist, added a comment on the EIF program: So far, we've provided matching funds to 78 employers, just over \$56.7 million. Once in the account, funds cannot be taken back out. If you have questions, send to Side.Account.Legislation@pers.state.or.us.</p>		
<p>UAL Resolution Program: We have a copy of CalPERS' rate-projection tool. We are analyzing the tool to see whether it will work for us. We hope to get PERS-specific information into the tool soon, and will be updating the PERS website once we have a decision. We've learned from the UALRP focus group meetings. We now have a better understanding of some key terms and what employers would like to have. We will work on developing that content with the Communications Team.</p>		
<p>The side accounts portion of the valuation will be updated. Milliman will send us examples of how PERS can do more. We want to include how a rate collar works as part of the UAL Program content for accessibility. We've updated <i>Side Accounts by the Numbers</i>, now called Side Accounts 101. Email actuarial.services@pers.state.or.us with any additional questions.</p>		
<p>Question: Regarding side accounts being updated, is there an opportunity to get more current market value on accounts in between?</p>		
<p>Response: We only apply final earnings at the end of the year, and that is what we base the rate on for the side account offset. It will be reorganized so it's easier to follow and has amounts as of the valuation date. Employers can look at GASB 68 updates to get a rough estimate, keeping in mind it can be misleading because it might not accurately show the rate offset. Providing current market value is further complicated because all of these funds, including side accounts, are administered by Oregon Investment Council (OIC), particularly since the investments are not all publicly traded securities. Rate offsets will be calculated as of those dates, not tied to any actual documents.</p>		
<p>Question: Are employee accounts valued regularly?</p>		
<p>Response: Each IAP, applicable to each individual employee, will be in one of several Target Date Funds that are externally administered and reported. The overall side accounts and</p>		

general fund are administered by OIC, and are not capable of being valued more than they currently are.

Statement: The valuation presentation itself is very confusing.

TOPIC	SB 1049 update: Salary Limits	Yvette Elledge-Rhodes
TIME: 10:38–10:43 AM		
<p>Brandon Armatas, Data Services Section Manager, provided an update on Salary Limits. Effective January 1, 2020, salary used in benefit calculations is capped at \$195K and indexed annually. The amount of annual change will align with Consumer Price Indexing. For a partial year, the salary limit is prorated. Vacation payouts have been a unique concept; large vacation payouts may cause salaries to exceed the prorated limits.</p> <p>We are working on a work package for functionality. Currently, it is done by a demographic change request (DCR), with additional functionality for Tier One members. The record will suspend, so we can prevent any issues that relate to annual limits. We were exploring system ability, and it does not look like we can include proration. We've worked with our subject matter experts (SME) to establish all business processes.</p> <p>PERS website is updated frequently and provides a great source to monitor progress.</p>		

TOPIC	SB 1049 update: Work After Retirement	Yvette Elledge-Rhodes
TIME: 10:43–10:50 AM		
<p>Brandon Armatas, speaking on behalf of Business Owner Laurel Galego, provided an update on Work After Retirement (WAR). WAR went into effect January 1, 2020, and allows most retirees to work unlimited hours between 2020 and 2024.</p> <p>We are working on leveraging current employer statements. As with other projects, the Employer website has a lot of good information. Information about WAR, other SB 1049 projects, and PERS can also be found in the monthly <i>Employer Newsletter</i>. Full information can be found on the SB 1049 Employer website: www.oregon.gov/PERS/EMP/Pages/SB1049.aspx.</p> <p>We recently revised the “EDX File Format and Development Guide” with new wage codes that we will begin using in late October. If you use an automated financial package to create .dat files for report uploads in EDX, or use a third-party reporter, you will need to begin to update your .dat file format this summer to be ready for the EDX update this fall.</p> <p>The Employer Service Center is training staff to change the backlog of 07 wage codes to 17 (except those employers who asked us not to) through a manual process.</p> <p>We will share more information in the fall about invoicing for your contributions due on retirees hired. Employer rate contributions will be invoiced by pay date. However, January pay dates will be part of our clean-up efforts. We will need to confirm with employers if the wages were for work performed in 2019 or 2020. Contributions are not required for retiree employment in 2019. Contributions should be paid on retiree wages beginning with the January pay period based upon retiree employment starting on (or continuing on) and after January 1, 2020.</p>		

TOPIC	SB 1049 update: Member (IAP) Redirect	Yvette Elledge-Rhodes
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TIME: 10:50–11:05 AM

Sam Paris, Interim Chief Operations Officer, provided an update on **Member Redirect**. Effective July 1, 2020, a portion of the 6% contribution to each member's IAP is being redirected to their **Employee Pension Stability Account (EPSA)**. The amount being redirected depends on the plan: the percent for Tier One/Tier Two is 2.5%, and 0.75% for OPSRP. The remaining amount goes into the member's IAP account. Contributions are redirected if the member's monthly salary is more than \$2,500 per month from all PERS-covered employers. The member can elect after-tax voluntary contributions for the same amount that was redirected. The voluntary contributions must be made by a deduction through the employer(s).

The Redirect was deployed in our system on June 18. Currently, the system is redirecting the contributions as expected. [FAQs on Member Redirect reporting](#), including voluntary contributions, are posted to the Employer webpage.

In late September, we will deploy the **voluntary contributions election functionality**. From late September to end of October, employers will receive Work Items through EDX for each employee who has elected to make voluntary contributions and if they want the contributions to be retroactive back to July 1, 2020, or begin the next month.

Beginning November 1, 2020, employers will get Work Items for future voluntary contribution start or stop dates, and the retroactive window will be closed for new requests.

For **prior year earnings**, we are continuing to pursue options focusing on minimizing or eliminating prior year earnings. We understand this concern that has been raised by this group and are continuing to explore.

Comment: My Legal/HR department has concerns about employer withholding before PERS functionality is ready.

Response from Stephanie Vaughn, Policy Analysis & Compliance Section Manager: That is a very conscientious concern. We are not going to be invoicing employers until an actual election is selected when the program is launched. PERS cannot provide legal advice, and any agreement to withhold contributions prior to PERS launching the program is between the employee and employer. It is up to individual employers to make that call for themselves.

Elli Probasco, SB 1049 Product Owner – Pension/IAP: We will get members' information and the start date they have elected, including the plan. Cancellations of the election will also come through as a Work Item.

Question: What about non-cash wages, like USERRA? Will they be subject to the redirect and voluntary contributions?

Response: We have USERRA on the long-term implementation list. Right now, we are thinking that if they've elected to make voluntary contributions before the functionality is deployed and their regular contributions made under USERRA are redirected, the voluntary contributions need to be withheld.

Question: How will PERS know when USERRA wages get put on EDX if they are a retroactive election?

Response: Voluntary contribution election cannot be retroactive. Voluntary contributions, as of right now, are not retroactive to any date other than the initial July 1. If a member returns from deployment and had not made that election prior to being deployed, they will not have the option to make the contribution back to July 1.

Question: How is PERS going to deal with retro payments? If they elected, and a year later we have a settlement, how will PERS know? If it will be manually entered in EDX, will the programming pick it up when entries are changed?

Response: Yes, our programming will pick that up.

TOPIC	SB 1049 update: Member Choice	Yvette Elledge-Rhodes
TIME: 11:05–11:11 AM		
<p>Cyndy Kirkwood, manager of Data Integrity Group and SB 1049 Member Choice Project Business Owner, provided an update. The effective date for Target Date Fund (TDF) elections is January 1, 2021. We are working to develop and release functionality for members to make their choice through OMS online between September 1 and 30, 2020. A paper form will also be available. Members will be able to select a fund based on risk tolerance, not just their age.</p> <p>Definition of “member”: An eligible employee who has established membership in an Oregon Public Employees Retirement System plan (waiting status does not apply). Election in a different TDF can be made once per calendar year. GovDelivery announcements regarding process and options will be forwarded to employers and be included in the <i>Employer Newsletter</i>.</p> <p>The project team is working on finishing up Work Package 1 and online access. Deployment will be prior to September 1, 2020, and include the functionality and the form. We are working with Voya to make TDF visible on www.iap.voya.com. Once it’s released, we will work on Work Package 2.</p> <p>Again, the election period will be September 1–30, 2020. Elections received after September 30, 2020, will not be processed. The next chance to submit an election will be after January 1, 2021, to become active the following year. Elections will not be visible until mid-January. Members will receive a statement the following effective year.</p>		

TOPIC	Communications update	Shawn Dempewolf
TIME: 11:11–11:15 AM		
<p>Shawn Dempewolf, Employer Communications Specialist, provided an overview of the employer survey. The online survey was sent to nearly 2,800 employer contacts. We received 270 completed surveys, which is about a 10% response rate. This is less than the last two years (377 responses in 2019 and 320 in 2018) and was probably caused by COVID-19 disruptions. There was an optional section included for UALRP that was intended to show us employer understanding of UAL. We received 29 responses.</p> <p>In June we began analyzing results from the survey and will present conclusions to the PERS Board on October 2 and to the EAG on October 16. A high-level preview of feedback showed that what employers find most helpful is one-on-one help, ESC support, <i>Employee Newsletter</i>, and the Employer website. Areas for improvement include EDX functionality and confusion over SB 1049. Feedback shows that people want simpler explanations.</p> <p>Employers can always reach out to their ESC representative to provide additional feedback.</p>		

TOPIC	Additional items	Sam Paris
TIME: 11:15–11:18 AM		
<p>Brandon Armatas spoke on OPSRP First Wage Clean-up Project: We have a staff member assigned to distill and prepare data in a way that will allow PERS, as easily as we can, to work through the outstanding population. Once ready, our plan is to utilize .dat files to process changes.</p> <p>We are working through employers in batches. We do have a lot of competing priorities right now, so we are still coordinating them. We are getting closer to being ready to begin the work on this project.</p> <p>Trudy Vidal has asked that PERS not do anything with the state this fall until 2021. As a result of Trudy’s question, PERS is looking into the right way to communicate to employers prior to any .dat files being processed to ensure employers can request a delay in processing.</p>		

TOPIC	Questions	Sam Paris
TIME: 11:18–11:21 AM		
<p>Sam opened the floor to allow EAG members to ask any other follow-up questions.</p> <p>Statement: Any insight to estimate employer impact dollars prior to “working through” would be helpful for planning purposes.</p> <p>Question: Is there an up-to-date readout on rate of return of the fund through May/June?</p> <p>Response from Kevin: At the end of May, the rate of return was –5.26%. June was better. We are inching our way back to 0.00%, and if we could move above it that would be great. We are hoping to have June results by the board meeting on July 31, 2020.</p>		

Next meeting facilitator: Sam Paris
Next meeting date and time: October 16, 2020 10:00 a.m.–12:00 p.m.